

VZCZCXR07803

OO RUEHBC RUEHDA RUEHDE RUEHIHL RUEHKUK
DE RUEHAK #6500/01 3281344
ZNR UUUUU ZZH
O 241344Z NOV 06
FM AMEMBASSY ANKARA
TO RUEHC/SECSTATE WASHDC IMMEDIATE 0060
INFO RUCNRAQ/IRAQ COLLECTIVE IMMEDIATE

UNCLAS SECTION 01 OF 03 ANKARA 006500

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E.O. 12958: N/A

TAGS: PREL PTER ETRD PGOV TU IZ IR LE SY AM EUN
SUBJECT: Scenesetter for CODEL Shays' Nov. 27-29 visit to Turkey

(U) Sensitive but unclassified - please protect accordingly.

¶1. (SBU) Summary: Turkey broadly agrees with U.S. goals in Iraq and tangibly supports our military effort there. However, Turkish concerns about Iraq's stability and future, as well as the PKK issue, complicate the relationship. Turkey has generally good intentions in promoting Middle East peace, though it has made occasional missteps such as meeting with Hamas. Progress on Turkey's EU bid is endangered by the Cyprus issue. There is rising concern here that the U.S. Congress will approve an Armenian genocide resolution for the first time in 2007. This would have a deleterious effect on our relations, and could endanger support Turkey provides for our efforts in Iraq. End summary.

Iraq: An Uncomfortable Partnership

¶2. (SBU) Turkey shares the U.S. goal of a unified, democratic Iraq that is secure within its borders. While Kurdish aspirations and the PKK presence in northern Iraq remain a significant concern, the government is contributing to efforts to ensure the success of the country as a whole. The GOT vocally supported the participation of all ethnic and religious groups in the elections and the conference of the Iraqi constitution, a dialogue of hard-line Sunni leaders with US Ambassador Khalilzad, and a meeting of tribal leaders from the city of Talafar in an effort to calm the situation there. It provided extensive training to over 300 Iraqi diplomats and political party members, and spearheaded a "neighbors meeting" process which has helped Iraqi government leaders interact with their regional counterparts.

¶3. (SBU) Turkey's agreement to allow the use of its territory as a logistical hub has been a crucial asset in our Iraq operations. Two-thirds of gasoline and diesel fuel shipments (3 million gallons per day) for the Iraqi people and 25% of sustainment fuel for the coalition crosses into Iraq through the Ground Line of Communication at Habur Border Gate. Since Turkey approved the use of Incirlik Air Base as a cargo hub to support coalition operation in Iraq in May 2005, over 152 million pounds of equipment has been shipped to US troops. Six C-17 aircraft now deliver from Incirlik the amount of supplies it took 9-10 planes to deliver from Germany. Additionally ten KC-135 tanker aircraft based at Incirlik since 2003 have run 2800 refueling sorties, delivering 192 million pounds of fuel in support of Operation Enduring Freedom and Operation Iraqi Freedom. Turkey has four personnel assigned to NTM-I in Iraq and, under this rubric, has trained 57 Iraqi military officers in Turkey. Iraqis have pledged to send officers to at least seven additional courses this year.

¶4. (SBU) Turkey has been frustrated, however, by events in Iraq. Many here are concerned by the inability of the GOI to contain sectarian violence. Iranian influence and Kurdish designs on Kirkuk and other areas south of the green line have led Turks to fear the disintegration of the country and the establishment of an independent Kurdish state. This would be a significant negative development for Turkey and could threaten security in this volatile region.

Opportunities and Challenges in Economic Ties

¶15. (SBU) Turkey's private sector could play a major role in ensuring Iraq's economic success. Turkish-Iraqi trade volume was \$ 3.2 billion in 2005. Of this, \$ 2.7 billion was exports from Turkey to Iraq, a nearly four-fold increase from 2003 levels. Turkish companies and the GOT are keenly interested in developing hydrocarbon reserves, especially natural gas, in the north for export to Turkey and Europe.

¶16. (SBU) Turkish companies in Iraq have been successful, but they have also faced significant challenges. Insurgents have killed over 100 Turkish truckers and other contractors, chiefly in 2004-2005. Some companies who have subcontracted to major U.S. firms such as KBR and Fluor have complained to us of significant payment delays.

¶17. (U) Turkey exports 270 MW of electricity to northern Iraq. Both countries aim to increase electricity exports from Turkey to 1,000 MW, which equates to 25% of Iraq's current peak capacity. Turkey has pledged \$50M in assistance to Iraq for energy, health and other projects, which remains mostly undisbursed for security reasons.

PKK Issue Complicates Turkish Cooperation

¶18. (SBU) Since the inception in the mid 1980s of the Kurdish separatist terrorist organization PKK's violent campaign in Turkey, over 35,000 Turks have been killed. The organization called off its unilateral cease-fire in 2004, and uses its safe haven in northern Iraq to train for and plan attacks against Turkish security forces, civilians, and foreign tourists. Over 600 have died so far in 2006. When Turkey threatened to carry out cross-border operations into northern Iraq in the summer of 2006, the Iraqi Government agreed to

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take steps to limit the PKK's freedom of action. The USG appointed Special Envoy Gen. (r) Joseph Ralston to work with Turkey and Iraq - and within the USG interagency - on steps to counter the PKK.

¶19. (SBU) Following Gen. Ralston's appointment and his meetings with senior leaders in both countries, Iraqi PM Maliki issued a statement asserting that organizations such as the PKK have no place in Iraq, and Iraqi Kurdish leaders persuaded the PKK to declare a unilateral cease-fire on Oct. 1.

¶10. (SBU) Turkish officials have dismissed the cease-fire and called on the PKK to permanently lay down its arms, renounce violence, and surrender to Turkish authorities. PKK terrorist attacks in Turkey have slowed since the cease-fire commenced, but have not stopped altogether. PKK activity during the harsh winter months in southeast Turkey is generally low anyway, and the press reports that jailed PKK leader Abdullah Ocalan has given the GOT a deadline of mid-May 2007 to take certain unspecified steps to reach out Turkey's Kurds.

¶11. (SBU) GOT officials are skeptical of Iraq's latest steps to contain the PKK and are equally skeptical of the cease-fire announcement. Iraqi Kurdish leaders seem to place the onus of the PKK problem squarely on Turkey, claiming that all Turkey needs to do is give PKK members full amnesty and provide more rights for its Kurdish populations. On his Nov. 16-17 visit PM Maliki assured Turkish leaders that he took the PKK issue seriously, but offered few tangible specifics.

¶12. (SBU) Turkey is willing to give Ralston a chance to achieve concrete results, but ultimately it expects the U.S. and/or the Iraqis to deal with the PKK's continued presence in Iraq. Failing this, and should attacks intensify once again in the spring, pressure will mount for Turkey to act unilaterally.

Regional Diplomacy

¶13. (SBU) Given its shared historical, cultural and religious ties with countries in the region, as well as its geographic location

bridging both east and west, Turkey feels both a right and a responsibility to engage countries of concern on issues of importance to the international community. Turkey has worked hard in recent years to re-establish relations with Iran and Syria both to bolster its fight against the PKK, which has a presence in those countries, and to strengthen its economic ties. It also believes that, as the only Muslim country that has good relations with both Israel and the Palestinians, it can play a special role in the peace process. Despite Western disapproval, Foreign Minister Gul welcomed a Hamas delegation to Ankara, and the PM and FM continue to engage the Iranian and Syrian governments. In all cases, they tell us they are sending the right messages in private.

¶14. (SBU) Turkey was highly critical of Israel's response in July against Hizbulah attacks emanating from Lebanon. However, Turkey responded immediately to the humanitarian crisis by opening its ports for the transit of evacuees, including of 1,700 Americans who transited Incirlik Air Base. Turkey has deployed 900 troops, a frigate and a personnel transport ship to support the UN peacekeeping operation there -- despite domestic opposition -- and has opened its sea and airport for the maintenance of UNIFIL equipment and the transit of troops to UNIFIL. The GOT has been in full agreement with our goal of supporting the Siniora government.

¶15. (SBU) The MFA, military and many in the ruling Justice and Development (AK) Party government view a nuclear Iran as a threat to Turkey, but all view diplomacy as the only road to a solution and therefore insist on engagement. The GOT is averse to broad economic sanctions that could disrupt a growing commercial relationship with Iran, particularly energy imports, but is willing to consult with us on targeted financial sanctions. The government's public statements -- which we are told match what they say in private -- on Iran's nuclear program have significantly strengthened since Iran resumed uranium enrichment. You may want to welcome these statements and to encourage a continued strong message.

Turkey/EU/Cyprus: Rough Seas

¶16. (U) Turkey's EU accession process, never smooth, is potentially heading into rough seas. The issue is the extension of Turkey's pre-existing Customs Union with the EU to all new EU members, including the Republic of Cyprus (ROC) which Turkey does not officially recognize. The Turks have a legal obligation to open at least some ports and airports to GOC shipping/goods by early to mid December. The Turkish government has steadfastly said it cannot do so unless the isolation of the Turkish Cypriots (TCs) is lifted. The GOT believes the EU made a commitment to open up trade with TCs following their "yes" vote on the Annan Plan referendum in April 2004 which it has yet to live up to. If no compromise solution can be found, the December European Council likely will decide to suspend a number of trade-related Acquis chapters. It remains to be

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seen how serious the Turkey-EU rupture will be. The USG strongly supports Turkey's EU vocation as good for both Turkey and Europe.

Armenian Genocide Resolution and U.S.-Turkey Relations

¶17. (U) In the immediate aftermath of the U.S. midterm election, Turks started to raise with Embassy officials questions regarding the possibility of a sense of the Congress resolution recognizing the Armenian Genocide. This remains a neuralgic issue in Turkey. When a similar resolution nearly made it to the House floor in November 2000, when U.S.-Turkish relations were on excellent footing, their Ambassador had his bags packed, ready to leave; other sanctions were under consideration. When the lower house of the French parliament passed a law in October that would criminalize denial of an Armenian Genocide, reaction in Ankara was strong, though measured. While the bill has yet to become law, Turkish-French bilateral mil-mil relations are currently frozen and trade has suffered.

¶18. (SBU) We believe reaction to a U.S. Congressional resolution would be considerably stronger. In an election year -- 2007

features both presidential and parliamentary elections in Turkey -- with nationalist feelings running high, reaction likely would be swift and retaliatory, despite our efforts over the past 18 months to put our bilateral relationship back on even footing. Examples of actions that would damage our regional priorities: We could be denied use of Incirlik Air Base, which currently serves as a hub to move close to 60% of air cargo to Coalition forces in Iraq. Habur Gate on the Turkey-Iraq border is also a key transit point for sustainment fuel for our troops, as well as for Iraq in general. Any slowdown or cut-off there would hurt U.S. warfighters in Iraq.

Economic Snapshot

¶19. (SBU) The AK Party government has implemented key economic and structural reforms that have supported the economic recovery from the deep 2001 financial crisis. An average GDP growth rate of nearly 8% over the past three years is one of the highest in the world, foreign investment has strengthened, and inflation has been subdued. The IMF is currently overseeing an \$ 10 billion stand-by program and the World Bank's loan portfolio of \$ 6 billion is one of the largest for any country. Reforms and optimism engendered by the EU accession process have also bolstered economic performance.

¶20. (SBU) Yet, despite these achievements, the current account deficit is large (7-8% of GDP this year) and the government remains heavily indebted. This leaves the economy vulnerable to market swings that could threaten economic and political stability. Unemployment and poverty also remain serious problems. These vulnerabilities were highlighted since mid-May by a global market pullback that coincided with increased political uncertainty in Turkey, leading to a 16% fall in the exchange rate, and 18% drop in the stock market, and a sharp increase in domestic interest rates. The central bank's and government's strong economic policy response, which included a 4% hike in official interest rates, allowed the economy to weather the turbulence and markets have nearly returned to their pre-May levels.

WILSON